

FDIC State Profile

Winter 2004

Tennessee

Employment gains in Tennessee slow.

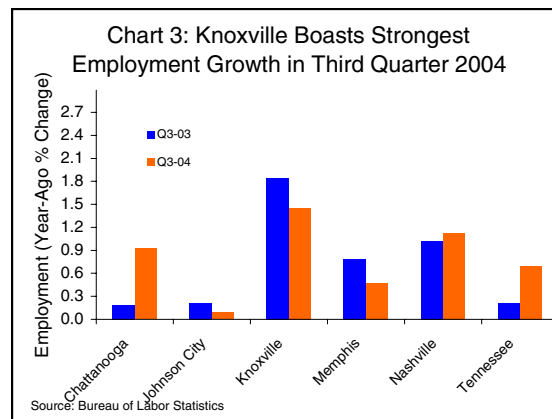
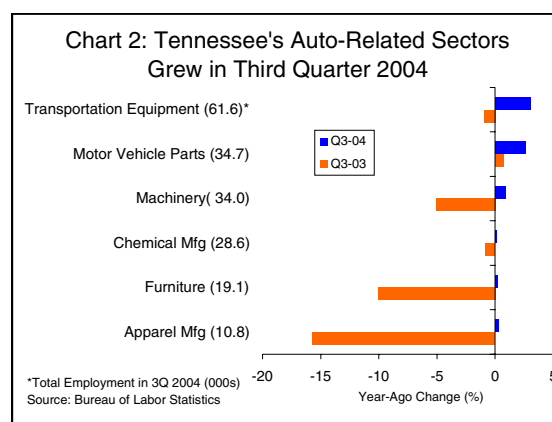
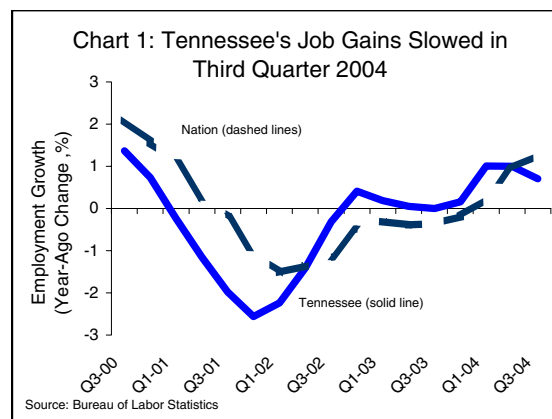
- Employment levels in Tennessee grew only 0.7 percent during the year ending third quarter 2004, the weakest performance of the year (See Chart 1). The state's performance is consistent with a recent University of Tennessee forecast.¹
- During the quarter, employment growth was strongest in the areas of construction, education and health, and leisure and hospitality.

Manufacturing records first job gains since early 2000.

- The Tennessee manufacturing sector gained more than 1,200 jobs in third quarter 2004 on a year-over-year basis, the first quarterly job gain since first quarter 2000. The improvement was led by strong job growth in auto-related businesses, including transportation equipment, motor vehicle, and machinery (See Chart 2). The near term prospects for the auto-related segments appear bright with Nissan North America announcing plans in recent months to spend \$47 million to expand its engine assembly plants in **Decherd**. The expanded plant is expected to start producing crankshafts in Spring 2005.

Knoxville leads the state in job growth.

- **Knoxville** recorded the most impressive employment growth among the state's large metropolitan markets, more than twice the rate of **Memphis** and **Johnson City** (See Chart 3). Employment growth in Knoxville was led by trade/transportation/utilities, finance, and education and health services. Examples of companies expanding in the area include retail giant Wal-Mart, Ross Incorporated, and Belk Stores Incorporated. In contrast, limited or declining employment was recorded in the services, state and local government, leisure and hospitality, and manufacturing sectors. Knoxville's unemployment rate of 3.0 percent in third quarter 2004 was the lowest among all metropolitan areas in the state and among the lowest in the nation.



¹In August 2004, Tennessee Leading Economic Index reported by the University of Tennessee's Center for Business and Economic Research suggested a decline in economic activity in the next six to nine months.

State Profile

Improvement in consumer finances is limited.

- It appears that improved job opportunities and low interest rates may be aiding consumer finances slightly as Tennesseans filed bankruptcy petitions at a slower rate during the first half of 2004 than in the prior year. However, consumers in the state still resorted to bankruptcy more often than in any other state, resulting in the only double digit bankruptcy filing rate in the nation in second quarter 2004 (10.7 percent).
- Additional signs of improving consumer finances include declines in residential foreclosures and loan delinquencies and a drop in the reported median past-due rate for non-real estate consumer loans.² Although the median consumer past-due ratio among insured institutions in Tennessee improved in third quarter 2004 from one year ago, the improvement was primarily in rural-based institutions. Many of the major markets actually experienced an increase in reported past-due loans (See Table 1).³

Consumer preferences lead to a surge in home equity loans.

- Home equity lines of credit increased 35 percent in third quarter 2004 from one year ago compared with just a 5 percent increase in total assets over the same period (See Chart 4).
- Home equity lending increased as a result of a favorable interest rate environment and home price appreciation.

Branching activity in Tennessee's major markets increased over the decade.

- Similar to national trends, consolidation among insured institutions in Tennessee occurred throughout the past decade while branch activity rose.
- New branch formation was primarily concentrated in the state's largest metropolitan areas of Knoxville, Memphis, and Nashville (See Chart 5). Favorable trends in demographics for these areas, including growth in household income and population, contributed to the increase in the number of branches.

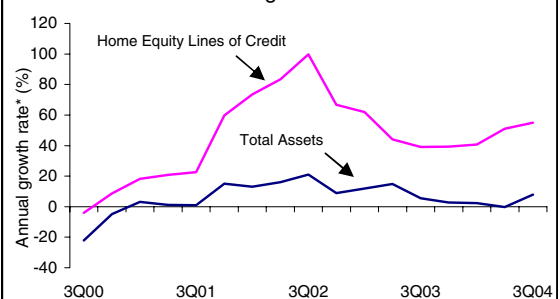
Table 1: Consumer Credit Quality Improved In Tennessee, but Ranks Low Compared to the Nation

Area	Total consumer past-due loans to total consumer loans (median, %)			
	3Q04	National Rank*	3Q03	National Rank
Chattanooga	2.74	26	3.89	13
Johnson City	3.58	8	3.22	23
Knoxville	1.41	113	2.93	28
Memphis	1.84	81	2.33	60
Nashville	1.28	135	1.74	94
Tennessee	2.38	8	2.99	2
Nation	1.84		2.02	

*Ranking of 228 markets in the nation (1 is worst).

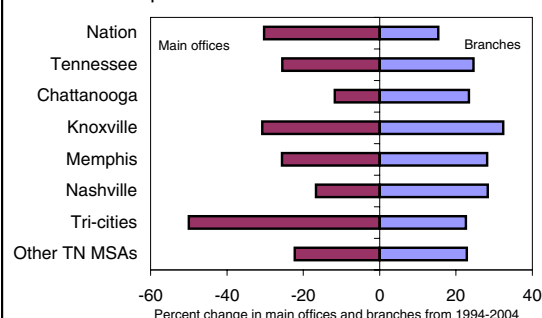
Source: FDIC, Bank and Thrift Call Reports.

Chart 4: Home Equity Growth Continued To Outpace Asset Growth Among Banks in Tennessee



*Merger adjusted
Source: FDIC, Bank and Thrift Call Reports.

Chart 5: Bank Branching Activity Increased Despite the Decline in Main Offices



Source: FDIC/OTS Summary of Deposits

²Residential foreclosure and loan delinquency data reported by the Mortgage Bankers Association and the median past-due rate for non-real estate consumer loans reported by insured institutions headquartered in Tennessee.

³The median consumer past-due ratio among rural based insured institutions was 3.07 percent in third quarter 2004, down from 3.50 percent one year ago.

Tennessee at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	211	208	212	215	218
Total Assets (in thousands)	127,833,446	118,581,196	112,475,282	92,927,764	91,998,321
New Institutions (# < 3 years)	14	16	16	24	18
New Institutions (# < 9 years)	49	45	44	48	39
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.63	9.34	9.27	9.18	9.39
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.86%	2.19%	2.53%	2.75%	2.24%
Past-Due and Nonaccrual >= 5%	14	29	39	52	29
ALLL/Total Loans (median %)	1.30%	1.36%	1.30%	1.30%	1.25%
ALLL/Noncurrent Loans (median multiple)	2.37	1.78	1.81	1.42	2.14
Net Loan Losses/Loans (aggregate)	0.24%	0.50%	0.53%	0.45%	0.33%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	17	15	18	23	12
Percent Unprofitable	8.06%	7.21%	8.49%	10.70%	5.50%
Return on Assets (median %)	0.95	1.01	1.08	0.94	1.06
25th Percentile	0.64	0.69	0.73	0.60	0.74
Net Interest Margin (median %)	4.19%	4.15%	4.32%	4.07%	4.39%
Yield on Earning Assets (median)	5.78%	6.12%	6.91%	8.29%	8.62%
Cost of Funding Earning Assets (median)	1.53%	1.92%	2.55%	4.28%	4.23%
Provisions to Avg. Assets (median)	0.16%	0.22%	0.26%	0.23%	0.20%
Noninterest Income to Avg. Assets (median)	0.78%	0.79%	0.75%	0.79%	0.70%
Overhead to Avg. Assets (median)	3.10%	3.12%	3.09%	3.01%	2.99%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	81.29%	78.63%	78.93%	78.14%	80.27%
Loans to Assets (median %)	67.54%	66.58%	66.02%	66.00%	68.57%
Brokered Deposits (# of Institutions)	52	44	34	29	19
Bro. Deps./Assets (median for above inst.)	2.40%	2.07%	2.83%	2.92%	1.72%
Noncore Funding to Assets (median)	22.01%	21.06%	21.31%	20.83%	20.00%
Core Funding to Assets (median)	65.46%	67.58%	67.23%	67.16%	68.22%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	143	142	148	152	155
National	28	30	28	28	28
State Member	19	16	15	11	10
S&L	6	6	6	6	6
Savings Bank	14	13	14	17	18
Stock and Mutual SB	1	1	1	1	1
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	129	20,521,018	61.14%	16.05%	
Nashville TN	25	7,322,114	11.85%	5.73%	
Memphis TN-AR-MS	23	90,648,758	10.90%	70.91%	
Knoxville TN	13	4,301,879	6.16%	3.37%	
Johnson City-Kingsport-Bristol TN-VA	9	2,309,128	4.27%	1.81%	
Chattanooga TN-GA	5	1,487,423	2.37%	1.16%	
Clarksville-Hopkinsville TN-KY	4	960,239	1.90%	0.75%	
Jackson TS	3	282,887	1.42%	0.22%	